

FISCAL NOTE

HB 3203

February 25, 2000

SUMMARY OF BILL:

- Increases the privilege tax on wine from \$1.10 per gallon to \$5.37 per gallon.
- Increase the privilege tax on alcohol from \$4.00 per gallon to \$19.52 per gallon.
- Increase the privilege tax on beer from \$3.90 per 31 liquid gallons to \$15.90 per 31 liquid gallons.
- Increases the tax on cigarettes from 13 cents per pack of 20 cigarettes to 23 cents per pack of 20 cigarettes.
- Earmarks revenues from the increases for expenditure in the TennCare Program.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - Net Impact - \$172,377,949

Increase State Expenditures - \$67,000 One-Time

Increase Local Govt. Revenues - Net Impact - \$26,156,724

<u>Increased Revenues</u>	<u>State Portion</u>	<u>Local Portion</u>
Cigarette Tax	\$53,590,594	
Wine Tax	17,484,296	\$3,581,121
Spirits Tax	65,770,681	13,471,103
Alcohol Tax	35,500,177	9,092,433
Sales Tax on Cigarettes	4,183,912	1,568,751
Sales Tax on Wine	91,891	34,454
Sales Tax on Spirits	356,637	133,721
Sales Tax on Alcohol	523,289	196,206
Subtotal	\$177,501,477	\$28,077,789

<u>Decreased Revenues</u>		
Sales Tax on Cigarettes		
[5% Decrease in Sales]	4,996,471	1,873,419
Sales Tax on Wine		
[5% Decrease in Sales]	37,904	14,214
Sales Tax on Spirits		
[5% Decrease in Sales]	55,574	20,840
Sales Tax on Alcohol		
[5% Decrease in Sales]	33,579	12,592
Subtotal	<u>5,123,528</u>	<u>1,921,065</u>

**NET INCREASE
IN REVENUES**

\$172,377,949

\$26,156,724

HB 3203

Estimate assumes the following:

- Approximately 605,543,438 packs of cigarettes were sold last year.
- A decrease of in-state sales of approximately 5% or 30,277,172 packs due to the increased tax.
- Cigarettes are sold in packs of 20.
- Approximately 5,264,380 gallons of wine were sold last year.
- A decrease of in-state wine sales of approximately 5% or 263,219 gallons of wine due to the increased tax.
- Approximately 5,448,418 gallons of spirits were sold last year.
- A decrease of in-state alcohol sales of approximately 5% or 272,420 gallons of spirits due to the increased tax.
- Approximately 3,979,706 gallons of alcohol were sold last year.
- A decrease of in-state alcohol sales of approximately 5% or 198,985 gallons of spirits due to the increased tax.
- An increase of approximately \$5,155,729 in state sales tax revenue resulting from the increased price on in-state purchases of cigarettes, wine, spirits, and alcohol.
- A decrease of approximately \$5,123,528 in state sales tax revenue due to a decrease of in-state purchases of cigarettes, wine, spirits, and alcohol.
- An increase of approximately \$1,933,132 in local government sales tax revenue resulting from the increased price on in-state purchases of cigarettes, wine, spirits, and alcohol.
- A decrease of approximately \$1,921,065 in local government sales tax revenues due to a decrease of in-state purchases of cigarettes, wine, spirits, and alcohol.
- A one-time increase in state expenditures of approximately \$67,000 for MIS system implementation changes.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director